

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Addison Township	County Oakland
Audit Date 3/31/05	Opinion Date 8/30/05	Date Accountant Report Submitted to State: 9/26/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

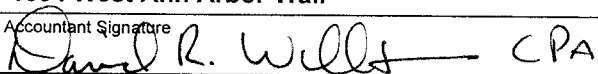
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Post, Smythe, Lutz, and Ziel, LLP			
Street Address 1034 West Ann Arbor Trail		City Plymouth	State MI
Accountant Signature  CPA		ZIP 48170	Date 9/26/05

TOWNSHIP OF ADDISON
Oakland County, Michigan

AUDITED FINANCIAL REPORT

For the Fiscal Year Ended March 31, 2005

TOWNSHIP OF ADDISON
For the Year Ended March 31, 2005

Table of Contents

INTRODUCTORY SECTION

Table of Contents

FINANCIAL SECTION

Page

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Fiduciary Net Assets	13
Notes to Financial Statements	14-26

TOWNSHIP OF ADDISON
For the Year Ended March 31, 2005

Table of Contents

Required Supplementary Information:

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund.....	27
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Police Protection Special Revenue Fund	28
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Fire Operating Special Revenue Fund	29
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Fire Capital Special Revenue Fund.....	30

Other Supplementary Information:

Combining Balance Sheet – Nonmajor Governmental Funds.....	31
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	32

FINANCIAL SECTION

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Independent Auditor's Report

August 30, 2005

To the Board of Trustees
Township of Addison
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining information of the Township of Addison, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Addison's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Addison as of March 31, 2005, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has implemented a new financial reporting model, as required by the Provisions of Governmental Accounting Standards Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* as of March 31, 2005.

Board of Trustees
Township of Addison, Michigan
August 30, 2005

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Addison's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

A handwritten signature in black ink that reads "Post, Smythe, Lutz & Ziel". The signature is written in a cursive, flowing style.

POST, SMYTHE, LUTZ and ZIEL LLP
Certified Public Accountants

Management's Discussion and Analysis

As management of the Township of Addison, we offer readers of the Township of Addison's financial statements this narrative overview and analysis of the financial activities of the Township of Addison for the fiscal year ended March 31, 2005.

Financial Highlights

- The assets of the Township of Addison exceeded its liabilities at the close of the most recent fiscal year by \$7,053,946 (*net assets*). Of this amount, \$2,778,357 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Township of Addison's governmental funds reported combined ending fund balances of \$2,861,197, a decrease of \$654,581 in comparison with the prior year. Approximately 97 percent of this amount, \$2,778,357 is *available for spending* at the government's discretion (*unreserved fund balance*).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township of Addison's basic financial statements. The Township of Addison's basic financial statements are comprised of three components: 1) government-wide financial statements, 3) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township of Addison's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township of Addison's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of The Township of Addison is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township of Addison include general government, public safety, planning and zoning, public works, and recreation and culture. The government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township of Addison, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township of Addison can be divided into either governmental funds or fiduciary fund categories.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township of Addison maintains 6 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Police Protection Special Revenue Fund, Fire Operating Special Revenue Fund, and the Fire Capital Special Revenue Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into aggregated presentations by fund type. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

A budgetary comparison statement has been provided for the General, Police Protection, Fire Operating, and Fire Capital Funds to demonstrate compliance with the annual appropriated budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Township of Addison's own programs.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 31-32 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township of Addison, assets exceeded liabilities by \$7,053,946 at the close of the most recent fiscal year.

A significant portion of The Township of Addison's net assets (59 percent) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township of Addison uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township of Addison's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Township of Addison's Net Assets

	2005	2004
Current and other assets	\$3,148,008	\$4,227,476
Capital Assets	4,989,393	4,333,200
Total Assets	<u>8,137,401</u>	<u>8,560,676</u>
Long-term liabilities	690,364	885,525
Other liabilities	393,091	711,698
Total Liabilities	<u>1,083,455</u>	<u>1,597,223</u>
Net Assets:		
Invested in capital assets, net of related debt	4,192,749	3,447,675
Restricted	82,840	80,928
Unrestricted	2,778,357	3,434,850
Total Net Assets	<u>\$7,053,946</u>	<u>\$6,963,453</u>

An additional portion of the Township of Addison's net assets (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$2,778,357) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township of Addison is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities. The Township's net assets increased by \$90,493 during the current fiscal year.

The increase in net assets, is presented in the table below, which will be comparative in 2006.

	Governmental Activities 2005
Program Revenues:	
Charges for Services	\$ 290,026
Operating Grants & Contributions	50,749
Capital Grants & Contributions	-
General Revenues:	
Property Taxes	1,908,330
State Shared Revenues	436,369
Unrestricted Investment Earnings	61,201
Other	8,571
Total Revenues	<u>2,755,246</u>
Program Expenses	
General Government	892,266
Public Safety	1,652,044
Planning and Zoning	54,681
Public Works	36,005
Recreation and Cultural	15,153
Interest on Long-Term Debt	14,604
Total Expenses	<u>2,664,753</u>
Change in Net Assets	<u><u>\$ 90,493</u></u>

Governmental funds. The focus of the Township of Addison's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township of Addison's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township of Addison's governmental funds reported combined ending fund balances of \$2,861,197, a decrease of \$654,581 in comparison with the prior year. The *unreserved fund balance*, which is the amount available for spending at the government's discretion, represents 97% of the total fund balance. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to uphold agreements (\$82,840).

The general fund is the chief operating fund of The Township of Addison. At the end of the current fiscal year, unreserved fund balance of the general fund was \$942,591, while total fund balance is \$1,024,392. As a measure of the general funds' liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 84 percent of total general fund expenditures, while total fund balance represents 92 percent of that same amount.

The fund balance of the Township of Addison's general fund decreased by \$6,542 during the current fiscal year. The key factors in this decrease were an increase in professional fees of \$97,568 and a decrease in road expense over the prior year.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were a total of \$65,000 increase to expenditures, which is a 6.0% change in overall appropriations.

Capital Asset and Debt Administration

Capital assets. The Township of Addison's investment in capital assets for its governmental activities as of March 31, 2005, amounts to \$4,989,393 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, and parks. The total increase in the Township of Addison's investment in capital assets for the current fiscal year was 15 percent. During fiscal year 2004-2005, the Township completed construction of a new fire station, including new furnishings and equipment totaling \$779,350 of capital expenditures in the current year.

Long-term debt. At the end of the current fiscal year, the Township of Addison had total debt outstanding of \$796,644 including \$763,944 of installment loans payable. All of The Township of Addison's debt represents general obligation debt backed by the full faith and credit of The Township of Addison, subject to constitutional limit.

Additional information on the Township of Addison's long-term debt can be found in note IV. D. on pages 23-24 of this report.

Economic Factors and Next Year's Budgets and Rates

The fiscal year 2005-2006 budget adopted by the Township projects that approximately \$75,000 of the General Fund fund balance will be expended during the year (expenditures exceeding revenues). Also, the Fire Operating Fund projects a \$38,210 decrease in fund balance.

Increases in the Township's taxable value have provided additional revenue while the total millage rate has been reduced due to Headlee roll backs, providing a minimal increase in tax revenues to the Township. Also, the Township has not filled some of the positions that are currently open, but rather has had existing staff absorb those duties to keep costs down.

Requests for Information

This financial report is designed to provide a general overview of the Township of Addison's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Township Supervisor, 1440 Rochester Road, Leonard, MI 48367.

BASIC FINANCIAL STATEMENTS

Addison Township
Statement of Net Assets
March 31, 2005

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 927,874
Restricted Assets - Cash	81,801
Receivables (net of allowance for uncollectibles):	
Taxes	1,906,121
Due from Other Funds	165,772
Due from Other Governmental Units	66,440
Capital Assets (Net of Accumulated Depreciation)	4,989,393
Total Assets	<u>8,137,401</u>
 <u>LIABILITIES</u>	
Accounts Payable	94,283
Accrued Liabilities	26,756
Due to Other Funds	165,772
Noncurrent Liabilities:	
Due within one year	106,280
Due in more than one year	690,364
Total Liabilities	<u>1,083,455</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets, net of related debt	4,192,749
Restricted for:	
Cemetery	1,039
Gravel Site	81,801
Unrestricted	2,778,357
Total Net Assets	<u>\$ 7,053,946</u>

Addison Township
Statement of Activities
For the Year Ended March 31, 2005

<u>Functions/Programs</u>	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Primary Government:				
Governmental Activities:				
General Government	\$ 892,266	\$ 68,834	\$ 50,749	\$ (772,683)
Public Safety	1,652,044	191,896	-	(1,460,148)
Planning and Zoning	54,681	29,296	-	(25,385)
Public Works	36,005	-	-	(36,005)
Recreation and Cultural	15,153	-	-	(15,153)
Interest on Long-Term Debt	14,604	-	-	(14,604)
Total Governmental Activities	<u>\$ 2,664,753</u>	<u>\$ 290,026</u>	<u>\$ 50,749</u>	<u>(2,323,978)</u>
General Revenues:				
Property Taxes				1,908,330
State Shared Revenue				436,369
Franchise Taxes				8,571
Unrestricted Investment Earnings				61,201
Total General Revenues and Transfers				<u>2,414,471</u>
Change in Net Assets				90,493
Net Assets - Beginning				<u>6,963,453</u>
Net Assets - Ending				<u>\$ 7,053,946</u>

**Addison Township
Balance Sheet
Governmental Funds
March 31, 2005**

	General	Police Protection	Fire Operating	Fire Capital	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 420,463	\$ 165,635	\$ 167,928	\$ 172,809	\$ 1,039	\$ 927,874
Restricted Assets	81,801	-	-	-	-	81,801
Receivables (net of allowance for uncollectibles):						
Taxes	319,462	830,689	558,570	197,400	-	1,906,121
Due from Other Funds	165,772	-	-	-	-	165,772
Due from Other Units	66,440	-	-	-	-	66,440
Total Assets	<u>\$ 1,053,938</u>	<u>\$ 996,324</u>	<u>\$ 726,498</u>	<u>\$ 370,209</u>	<u>\$ 1,039</u>	<u>\$ 3,148,008</u>
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities:						
Accounts Payable	\$ 15,230	\$ 69,947	\$ 9,106	\$ -	\$ -	\$ 94,283
Accrued and Other Liabilities	14,316	-	12,440	-	-	26,756
Due to Other Funds	-	49,791	75,480	40,501	-	165,772
Total Liabilities	<u>29,546</u>	<u>119,738</u>	<u>97,026</u>	<u>40,501</u>	<u>-</u>	<u>286,811</u>
Fund Balances:						
Reserved	81,801	-	-	-	1,039	82,840
Unreserved for:						
General Fund	942,591	-	-	-	-	942,591
Special Revenue Funds	-	876,586	629,472	329,708	-	1,835,766
Total Fund Balances	<u>1,024,392</u>	<u>876,586</u>	<u>629,472</u>	<u>329,708</u>	<u>1,039</u>	<u>2,861,197</u>
Total Liabilities and Fund Balances	<u>\$ 1,053,938</u>	<u>\$ 996,324</u>	<u>\$ 726,498</u>	<u>\$ 370,209</u>	<u>\$ 1,039</u>	

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital Assets used in governmental activities are not financial resources and,
therefore, are not reported in the funds.
Long-term liabilities, including bonds payable, are not due and payable in the
current period and therefore are not reported in the funds.

4,989,393

(796,644)

Net Assets of Governmental Activities

\$ 7,053,946

Addison Township
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2005

	General	Police Protection	Fire Operating	Fire Capital	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 321,669	\$ 830,690	\$ 558,570	\$ 197,401	\$ -	\$ 1,908,330
Licenses and Permits	120,890	-	-	-	-	120,890
Intergovernmental:						
Federal, State and Local	481,512	-	-	-	-	481,512
Charges for Services	93,120	-	-	-	-	93,120
Franchise Fees	8,571	-	-	-	-	8,571
Interest	48,114	5,747	4,116	3,215	9	61,201
Other	8,321	13,580	59,721	-	-	81,622
Total Revenues	<u>1,082,197</u>	<u>850,017</u>	<u>622,407</u>	<u>200,616</u>	<u>9</u>	<u>2,755,246</u>
Expenditures						
Current:						
General Government	893,424	-	-	-	-	893,424
Public Safety	116,378	850,528	563,648	-	-	1,530,554
Planning and Zoning	54,681	-	-	-	-	54,681
Public Works	36,005	-	-	-	-	36,005
Recreation and Cultural	15,153	-	-	-	-	15,153
Debt Service:						
Principal	-	-	-	86,056	-	86,056
Interest and Other Charges	-	-	-	14,604	-	14,604
Capital Outlay	-	-	-	779,350	-	779,350
Total Expenditures	<u>1,115,641</u>	<u>850,528</u>	<u>563,648</u>	<u>880,010</u>	<u>-</u>	<u>3,409,827</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(33,444)</u>	<u>(511)</u>	<u>58,759</u>	<u>(679,394)</u>	<u>9</u>	<u>(654,581)</u>
Other Financing Sources (Uses)						
Transfers In	26,902	-	-	30,000	-	56,902
Transfers Out	-	-	(30,000)	-	(26,902)	(56,902)
Total Other Financing Sources and Uses	<u>26,902</u>	<u>-</u>	<u>(30,000)</u>	<u>30,000</u>	<u>(26,902)</u>	<u>-</u>
Net Change in Fund Balances	(6,542)	(511)	28,759	(649,394)	(26,893)	(654,581)
Fund Balances - Beginning	<u>1,030,934</u>	<u>877,097</u>	<u>600,713</u>	<u>979,102</u>	<u>27,932</u>	<u>3,515,778</u>
Fund Balances - Ending	<u>\$ 1,024,392</u>	<u>\$ 876,586</u>	<u>\$ 629,472</u>	<u>\$ 329,708</u>	<u>\$ 1,039</u>	<u>\$ 2,861,197</u>

Addison Township
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (654,581)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	656,193
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	88,881
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Change in net assets in governmental activities	\$ 90,493
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Addison Township
Statement of Fiduciary Net Assets
March 31, 2005

	Tax Collection Fund	Agency Fund
<u>ASSETS</u>		
Cash	\$ 2,759,473	\$ 291,873
<u>LIABILITIES</u>		
Due to Other	\$ 2,759,479	\$ 291,873

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township is governed by an elected seven member Board of Trustees. Services are provided to approximately 6,107 residents in the areas of police and fire protection, parks, and planning and zoning.

As required by generally accepted accounting principles, these financial statements present the Township of Addison. The Township has no component units which are required to be included in these financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Governmental Funds

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police Protection Fund is a special revenue fund used to account for property tax levy and contract payments to the Oakland County Sheriff's Department.

The Fire Operating Special Revenue Fund is used to account for voted property tax levies to operate the Township's fire department.

The Fire Capital Special Revenue Fund is used to account for voted property tax levies to purchase equipment, vehicles, and buildings for the fire department.

In addition, the Township reports on the following fund types:

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
– Continued

Permanent funds are used to report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. This includes the cemetery expendable trust fund for the municipal cemetery.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds include the following fund types:

Agency Funds are used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Township to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments for the Township are recorded at fair value.

2. Restricted Assets

The restricted asset amount of \$81,801 recorded in the General Fund represents funds received from Great Lakes Gravel for future cleanup of the Great Lakes Gravel site.

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans).

All trade and property tax receivables are shown net of allowance for uncollectible accounts, which are recorded at \$-0- at March 31, 2005.

4. Capital Assets

Capital assets, which include property, plant, equipment are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed. Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	30
Vehicles and Equipment	5-15

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

5. Compensated Absences

In accordance with Township's internal policy, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified. All sick and vacation pay is accrued when incurred in the government-wide financial statements. This liability is composed of employees who retire and any unused vacation paid upon termination of employment. The total liability at March 31, 2005 is \$10,460.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2005

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet And the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$796,644 difference are as follows:

Installment Note Payable	\$763,944
Property Tax Tribunal Cases	<u>32,700</u>
	<u>\$796,644</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$656,193 difference are as follows:

Capital Outlay	\$ 779,350
Depreciation Expense	<u>(123,157)</u>
	<u>\$ 656,193</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds." The details of this \$88,881 difference are as follows:

Principal Repayments:	
Installment Note Payable	\$ 86,056
Reduction in Compensated Absences Liability	<u>2,825</u>
	<u>\$ 88,881</u>

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2005

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Township is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General and Special Revenue Funds.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

The Township follows these procedures in establishing the budgetary data reflected in these financial statements:

1. Prior to March 31, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds. These are prepared on the activity level basis for the General Fund and the fund level for the Special Revenue Funds using the modified accrued method of accounting.
2. Public hearings are conducted at the Township office to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted on a departmental (activity) basis through passage of a resolution.
4. The Township Board must approve any revisions that alter the total expenditures of any department.
5. Budget appropriations lapse at year end.
6. The Township Board may authorize supplemental appropriations (budget amendments) during the year. In 2005 several budget amendments were made and are reflected in the financial statements.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

None of the funds have a deficit fund balance as of March 31, 2005.

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2005

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

B. Compliance with P.A. 621 of 1978 - Continued

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budget for the General Fund is adopted at the activity level and the budgets for the Special Revenue Funds are adopted at the fund level. Expenditures in excess of budget appropriations are as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess Expenditures Over Appropriations</u>
General Fund:			
General Administration	\$ 212,312	\$ 222,720	\$ 10,408
Clerk	111,125	111,489	364
Treasurer	93,445	95,165	1,720
Planning and Zoning	49,750	50,375	625

C. Public Act 245 of 1999 Compliance

In accordance with the State Construction Code Act, Public Act 245 of 1999, the Township must account for cumulative revenues over or under expenditures generated by the Township's building department from January 1, 2000 and forward.

The cumulative amounts as of March 31, 2005 are as follows:

Cumulative Balance at March 31, 2004	\$ (10,859)
Fees Collected in Fiscal Year 2005	118,595
Expenditures in Fiscal Year 2005	<u>(116,378)</u>
Cumulative Balance at March 31, 2005	<u>\$ (8,642)</u>

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the Township is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades.

Deposits (cash and certificates of deposit) are carried at cost which approximates market value. The carrying amount of deposits are separately displayed on the balance sheets as "Cash and Cash Equivalents".

The carrying amount of the Township's deposits with financial institutions at March 31, 2005 was \$4,061,021 and the bank balance was \$4,123,579 categorized as follows:

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

A. Deposits and Investments - Continued

	<u>Bank</u> <u>Balance</u>
Insured by F.D.I.C.	\$ 200,000
Uninsured and Uncollateralized	<u>3,923,579</u>
Total	<u>\$4,123,579</u>

A reconciliation of cash presented on the financial statements follows:

Cash and Cash Equivalents per:	
Statement of Net Assets	\$1,009,675
Statement of Fiduciary Net Assets	<u>3,051,346</u>
Total	<u>\$4,061,021</u>

B. Capital Assets

Capital asset activity for the year ended March 31, 2005 was as follows:

<u>Governmental Activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Capital Assets, not depreciated:				
Land	\$ 3,125,000	\$ -	\$ -	\$ 3,125,000
Capital Assets, being depreciated:				
Building and Improvements	137,000	1,410,820	-	1,547,820
Vehicles and Equipment	965,125	120,167	-	1,085,292
Construction in Progress	<u>751,637</u>	<u>-</u>	<u>(751,637)</u>	<u>-</u>
	<u>1,853,762</u>	<u>1,530,987</u>	<u>(751,637)</u>	<u>2,633,112</u>
Less: Accumulated Depreciation:				
Building and Improvements	(80,967)	(51,594)	-	(132,561)
Vehicles and Equipment	<u>(564,595)</u>	<u>(71,563)</u>	<u>-</u>	<u>(636,158)</u>
	<u>(645,562)</u>	<u>(123,157)</u>	<u>-</u>	<u>(768,719)</u>
Governmental Activities				
Capital Assets, net	<u>\$ 4,333,200</u>	<u>\$ 1,407,830</u>	<u>\$ (751,637)</u>	<u>\$ 4,989,393</u>

Depreciation expense was charged on the Statement of Activities as follows:

General Government	\$ 1,667
Public Safety	<u>121,490</u>
	<u>\$ 123,157</u>

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2005

IV. DETAILED NOTES ON ALL FUNDS – Continued

C. Interfund Receivables, Payables and Transfers

1. Interfund Receivables and Payables

The composition of interfund balances as of March 31, 2005, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Police Protection	\$ 49,791
	Fire Operating	75,480
	Fire Capital	<u>40,501</u>
		<u>\$165,772</u>

2. Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Park Acquisition	\$ 26,902
Fire Capital	Fire Operating	30,000

D. Long-Term Debt

The following is a summary of long-term debt transactions of the Township for the year ended March 31, 2005:

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>3/31/05</u>	<u>Due In</u> <u>1 year</u>
Installment Note Payable	\$ 850,000	\$ -	\$ 86,056	\$ 763,944	\$ 73,580
Property Tax Tribunal Cases	<u>32,700</u>	<u>-</u>	<u>-</u>	<u>32,700</u>	<u>32,700</u>
Total Debt	<u>\$ 882,700</u>	<u>\$ -</u>	<u>\$ 86,056</u>	<u>\$ 796,644</u>	<u>\$106,280</u>

Installment Note Payable

On November 3, 2003, the Township financed a portion of the new fire station with an installment note through Oxford Bank with an interest rate of 3.495%, a maturity date of May 1, 2013, and annual payments of \$100,660 including interest.

The following is a summary of general obligation debt outstanding (excluding compensated absences and tax tribunals) of the Township as of March 31, 2005:

	<u>Number of</u> <u>Issues</u>	<u>Interest</u> <u>Rate</u>	<u>Maturing</u> <u>Through</u>	<u>Principal</u> <u>Outstanding</u>
Governmental Activities:				
Installment Note	1	3.495%	2014	\$ 763,944

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long Term Debt - Continued

The annual debt service requirements to maturity for general obligation debt outstanding as of March 31, 2005 are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 73,580	\$ 27,080
2007	76,188	24,472
2008	78,887	21,773
2009	81,631	19,029
2010	84,575	16,084
2011-2014	<u>369,083</u>	<u>33,308</u>
	<u>\$ 763,944</u>	<u>\$141,746</u>

E. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at March 31, 2005, is presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>
Reserved for Cemetery	\$ -	\$ -	\$ 1,039
Reserved for Site Cleanup	81,801		
Unreserved:			
Designated for			
Subsequent Years			
Expenditures	75,000	121,370	-
Undesignated	<u>867,591</u>	<u>1,714,396</u>	<u>-</u>
Total Fund Balance	<u>\$1,024,392</u>	<u>\$1,835,766</u>	<u>\$ 1,039</u>

F. Property Taxes

Property tax assessments are assessed as of each December 31. The Township tax levy is billed on December 1 of the following year, and payable through February. Taxes are considered delinquent on March 1, at which time the applicable property is subject to lien and penalty and interest is assessed. Township property tax revenues are accounted for in the General Fund, Police Protection Fund, Fire Operating Fund, and Fire Capital Fund and are recognized in the current year as revenue in accordance with guidelines of the State of Michigan.

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2005

IV. DETAILED NOTES ON ALL FUNDS - Continued

F. Property Taxes - Continued

The following is a summary of the tax rates levied on the 2004 tax roll:

<u>Purpose</u>	<u>Authorization</u>	<u>Authorized Rate</u>	<u>Per \$1,000 of State Equalized Value</u>		<u>Tax Margin</u>
			<u>Authorized Rate Post "Roll Back"</u>	<u>Rate Levied</u>	
Operating	Statute	1.4100	1.0936	1.0936	-
Library	Voted	.7500	.5817	.5817	-
Police	Voted	2.5000	1.9393	1.9393	-
Police	Voted	1.0000	.9357	.9357	-
Fire Operating	Voted	.7500	.5817	.5817	-
Fire Operating	Voted	.7500	.6498	.6498	-
Fire Operating	Voted	.7500	.7017	.7017	-
Fire Capital	Voted	.5000	.4555	.4555	-
Fire Capital	Voted	.2500	.2277	.2277	-

V. OTHER INFORMATION

A. Risk Management

The Township of Addison purchases commercial insurance for its workers compensation coverage and is a member of the Michigan Municipal Risk Management Authority risk pool for its property and general liability insurance coverage. The Township pays annual premiums to the pool. The pool is self-sustaining through member premiums.

In the event that a single loss should exceed the amount of protection afforded by the pool loss reserve fund, or in the event that a series of losses should deplete or exhaust the loss reserve fund, the payment of valid losses shall be the obligation of the individual member or members of the respective pool against whom the claim was made.

No such event has occurred with the Township of Addison and the pools to which it belongs in any of the past three fiscal years.

TOWNSHIP OF ADDISON
Notes to Financial Statements
March 31, 2005

V. OTHER INFORMATION - Continued

B. Joint Venture

The Township is a member of the North Oakland Transportation Authority (NOTA), which provides transportation services to the residents of Oxford, Orion, and Addison Townships. The participating communities provide annual funding for its operations. During the current year, the Township contributed \$27,600 for its operations. Financial statements for NOTA are available upon request from the NOTA administrative offices at 1370 South Lapeer Road, Oxford, MI 48371.

C. Personal Property Tax Multipliers

In November 1999, the State Tax Commission approved revised personal property tax tables for utilities. The revised tables affected taxes collected from 1997 to present due to local units of government continuing to use the personal property tax tables in effect prior to 1999. The issue was the subject of a lawsuit brought by several units of government against the State Tax Commission, challenging the constitutionality of the new utility personal property tax tables. In April 2002, the revised tables were upheld by the court.

The local units of government appealed this decision and during 2003, the Michigan Tax Tribunal entered its judgment to uphold the new tables. The amounts paid to the Township in excess of the approved amounts using the new tables would potentially need to be refunded to the utility companies. This could result in refunds of approximately \$5,300 from the General Fund and \$27,400 from the Special Revenue Funds. Appeals are still being undertaken by taxing authorities and the matter is not expected to be settled until some time in the next fiscal year. Therefore, the potential refund amount totaling \$32,700 has been recorded in the Statement of Net Assets.

D. Prior Period Adjustments

The following funds had restatement of previously reported results to correct accounting errors:

	<u>General Fund</u>	<u>Police Fund</u>
Previously Reported Fund Equity, March 31, 2004	\$1,015,806	\$933,854
Correction of Accounting Error	<u>15,128</u>	<u>(56,757)</u>
Restated Fund Equity March 31, 2004	<u>\$1,030,934</u>	<u>\$877,097</u>

REQUIRED SUPPLEMENTARY INFORMATION

Addison Township
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2005

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Property Taxes	\$ 301,000	\$ 301,000	\$ 321,669	\$ 20,669
Licenses and Permits	115,000	120,000	120,890	890
Intergovernmental - Federal	18,662	18,662	45,143	26,481
Intergovernmental - State	429,000	429,000	436,369	7,369
Charges for Services	105,900	115,900	93,120	(22,780)
Franchise Fees	9,500	9,500	8,571	(929)
Interest	18,850	18,850	48,114	29,264
Other	11,200	11,200	8,321	(2,879)
Total Revenues	<u>1,009,112</u>	<u>1,024,112</u>	<u>1,082,197</u>	<u>58,085</u>
Expenditures:				
General Government:				
General Administration	209,312	212,312	222,720	(10,408)
Supervisor	84,587	85,045	81,991	3,054
Elections	11,800	11,800	11,747	53
Legal and Audit	186,000	305,500	285,856	19,644
Assessor	45,100	45,100	43,582	1,518
Clerk	107,167	111,125	111,489	(364)
Board of Review	625	775	729	46
Treasurer	92,987	93,445	95,165	(1,720)
Building and Grounds	22,500	22,500	20,352	2,148
Cemetery	26,000	20,850	19,793	1,057
Total General Government	<u>786,078</u>	<u>908,452</u>	<u>893,424</u>	<u>15,028</u>
Public Safety:				
Safety Inspections	<u>108,500</u>	<u>116,500</u>	<u>116,378</u>	<u>122</u>
Planning and Zoning:				
Planning	44,000	49,750	50,375	(625)
Board of Appeals	<u>4,600</u>	<u>4,600</u>	<u>4,306</u>	<u>294</u>
Total Planning and Zoning	<u>48,600</u>	<u>54,350</u>	<u>54,681</u>	<u>(331)</u>
Public Works:				
Engineering	7,700	17,700	17,158	542
Street Lights	9,500	10,250	10,211	39
Special Assessment Districts	13,000	13,000	-	13,000
Roads	<u>13,500</u>	<u>9,500</u>	<u>8,636</u>	<u>864</u>
Total Public Works	<u>43,700</u>	<u>50,450</u>	<u>36,005</u>	<u>14,445</u>
Parks	<u>21,000</u>	<u>17,500</u>	<u>15,153</u>	<u>2,347</u>
Other Functions	<u>75,000</u>	<u>626</u>	<u>-</u>	<u>626</u>

Addison Township
Police Protection Special Revenue Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues:				
Property Taxes	\$ 789,931	\$ 789,931	\$ 830,690	\$ 40,759
Interest	6,500	6,500	5,747	(753)
Other	9,000	9,000	13,580	4,580
Total Revenues	<u>805,431</u>	<u>805,431</u>	<u>850,017</u>	<u>44,586</u>
Expenditures:				
Police Protection	<u>860,000</u>	<u>860,000</u>	<u>850,528</u>	<u>9,472</u>
Net Change in Fund Balance	(54,569)	(54,569)	(511)	54,058
Fund Balance - April 1	<u>877,097</u>	<u>877,097</u>	<u>877,097</u>	<u>-</u>
Fund Balance - March 31	\$ <u><u>822,528</u></u>	\$ <u><u>822,528</u></u>	\$ <u><u>876,586</u></u>	\$ <u><u>54,058</u></u>

Addison Township
Fire Operating Special Revenue Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues:				
Property Taxes	\$ 531,191	\$ 531,191	\$ 558,570	\$ 27,379
Interest	3,000	3,000	4,116	1,116
Other	58,000	58,000	59,721	1,721
Total Revenues	<u>592,191</u>	<u>592,191</u>	<u>622,407</u>	<u>30,216</u>
Expenditures:				
Fire Protection	<u>589,000</u>	<u>589,000</u>	<u>563,648</u>	<u>25,352</u>
Excess (Deficiency) of Revenues Over Expenditures	3,191	3,191	58,759	55,568
Other Financing Uses:				
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>
Net Change in Fund Balance	3,191	3,191	28,759	25,568
Fund Balance - April 1	<u>600,713</u>	<u>600,713</u>	<u>600,713</u>	<u>-</u>
Fund Balance - March 31	<u>\$ 603,904</u>	<u>\$ 603,904</u>	<u>\$ 629,472</u>	<u>\$ 25,568</u>

Addison Township
Fire Capital Special Revenue Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues:				
Property Taxes	\$ 187,725	\$ 187,725	\$ 197,401	\$ 9,676
Interest	7,500	7,500	3,215	(4,285)
Total Revenues	<u>195,225</u>	<u>195,225</u>	<u>200,616</u>	<u>5,391</u>
Expenditures:				
Capital Outlay	262,213	1,033,039	779,350	253,689
Debt Service:				
Principal	-	-	86,056	(86,056)
Interest and Fees	-	-	14,604	(14,604)
Total Expenditures	<u>262,213</u>	<u>1,033,039</u>	<u>880,010</u>	<u>153,029</u>
Excess (Deficiency) of Revenues Over Expenditures	(66,988)	(837,814)	(679,394)	158,420
Other Financing Sources:				
Operating Transfers In	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Net Change in Fund Balance	(66,988)	(837,814)	(649,394)	188,420
Fund Balance - April 1	<u>979,102</u>	<u>979,102</u>	<u>979,102</u>	<u>-</u>
Fund Balance - March 31	<u>\$ 912,114</u>	<u>\$ 141,288</u>	<u>\$ 329,708</u>	<u>\$ 188,420</u>

OTHER SUPPLEMENTARY INFORMATION

Addison Township
Nonmajor Governmental Funds
Combining Balance Sheet
March 31, 2005

	Special Revenue - <u>Park Acquisition</u>	Permanent Fund - <u>Cemetery</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ <u>-</u>	\$ <u>1,039</u>	\$ <u>1,039</u>
 <u>Liabilities and Fund Balance</u>			
Liabilities	\$ -	\$ -	\$ -
Fund Balance:			
Reserved for Cemetery	<u>-</u>	<u>1,039</u>	<u>1,039</u>
Total Liabilities and Fund Balance	\$ <u>-</u>	\$ <u>1,039</u>	\$ <u>1,039</u>

Addison Township
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended March 31, 2005

	Special Revenue - Park Acquisition	Permanent Fund - Cemetery	Total
Revenues:			
Interest	\$ -	\$ 9	\$ 9
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	-	9	9
Other Financing Uses:			
Operating Transfers Out	<u>(26,902)</u>	<u>-</u>	<u>(26,902)</u>
Net Change in Fund Balance	(26,902)	9	(26,893)
Fund Balance - April 1	<u>26,902</u>	<u>1,030</u>	<u>27,932</u>
Fund Balance - March 31	\$ <u><u>-</u></u>	\$ <u><u>1,039</u></u>	\$ <u><u>1,039</u></u>

POST, SMYTHE, LUTZ AND ZIEL LLP

Certified Public Accountants

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August 30, 2005

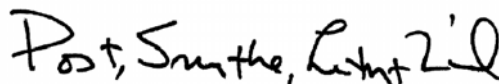
Board of Trustees
Township of Addison
Oakland County, Michigan

In planning and performing our audit of the Township of Addison for the year ended March 31, 2005, we have considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions in these areas. This letter does not affect our report dated August 30, 2005, on the financial statements of the Township of Addison.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional studies or assist in their implementation.

Respectfully,



POST, SMYTHE, LUTZ and ZIEL LLP
Certified Public Accountants

Accounting Issues

The cash receipts and disbursements of the Township appear to be posted on a timely basis and banks are reconciled monthly. However, during the audit we noted the following areas for improvement:

- The interfund balances (amounts due to and due from other funds) should be reconciled on a monthly basis.
- Accruals from the prior year should be reversed and current accruals should be recorded as appropriate.
- Accounts administered by the Treasurer in a fiduciary nature such as for the Lake Boards and Private Roads should be recorded separately in agency type funds and not in the general operating funds of the Township.

The above items were discussed with the Township Officials who have already implemented our recommendations and we anticipate the books at the fiscal year ended March 31, 2006 will reflect these improvements as well.